

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0423-01  
Bill No.: HB 132  
Subject: Taxation and Revenue - Sales and Use; Motor Fuel; Waste - Hazardous  
Type: Original  
Date: February 5, 2015

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Bill Summary: This proposal would authorize an exemption from the motor fuel tax and sales tax on motor fuel used in watercraft in this state.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
General Revenue	(\$9,177)	(\$11,012)	(\$11,012)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$9,177)</b>	<b>(\$11,012)</b>	<b>(\$11,012)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Conservation Commission	(\$383)	(\$459)	(\$459)
Parks, and Soil and Water	(\$306)	(\$367)	(\$367)
School District Trust	(\$3,059)	(\$3,671)	(\$3,671)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$3,748)</b>	<b>(\$4,497)</b>	<b>(\$4,497)</b>

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(\$438,984)	(\$526,781)	(\$526,781)

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Department of Conservation (MDC)** stated this proposal would authorize an exemption from the motor fuel tax for motor fuel used in watercraft in this state.

MDC officials also stated the Conservation Sales Tax funds are derived from a one-eighth of one percent sales and use tax pursuant to the Missouri Constitution. Exempting motor fuel used in watercraft in this state from tax would reduce sales tax collected and thus would reduce revenue to the Conservation Sales Tax funds. Department officials assume this proposal would have an unknown but greater than \$100,000 negative fiscal impact on the Department. Department officials also assume the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **Department of Natural Resources (DNR)** stated this proposal would authorize an exemption for motor fuel used exclusively for watercraft in this state from the motor fuel tax and any state or local sales and use taxes.

MDC officials also stated the Department's Parks and Soils Sales Tax Funds are derived from a one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, the sales tax exemption for sales of motor fuel used in a watercraft in this proposal would result in an unknown loss to the Parks and Soils Sales Tax Funds.

DNR officials assume the Department of Revenue and Office of Administration - Division of Budget and Planning would provide a more detailed account of the fiscal impact.

Officials from the **Office of Administration - Division of Budget and Planning** assume this proposal would impact Total State Revenue (TSR) but would not impact the calculation required under Article X, Section 18(e) of the state constitution.

ASSUMPTION (continued)

BAP officials noted this proposal would exempt motor fuel used in watercraft from the motor fuel excise tax, and assume this could reduce motor fuel revenues to the extent consumers are not already claiming refunds for such tax from the Department of Revenue (DOR). BAP officials stated DOR reports indicated \$900,000 in marine fuel tax refunds in FY 2014, but part of that refund amount was unclaimed and distributed to municipalities.

Therefore, BAP officials concluded this proposal would have an unknown impact on TSR and on local governments. BAP officials noted the fuel is currently exempt from sales tax and would remain so under this proposal.

Officials from the **Department of Revenue (DOR)** noted Section 142.815 would exempt motor fuel delivered to marinas and sold solely for use in watercraft from the motor fuel tax. In addition, Section 144.30.2(43) would provide a sales tax exemption for motor fuel sold for use in watercraft. DOR officials commented that under current provisions, if the fuel sold at the marina was exempted from excise tax, it would then be subject to sales tax under current statutes. Since this proposal would also exempt these purchases from sales tax, no tax would be paid.

Administrative Impact

DOR officials stated a motor fuel tax refund may be claimed by the purchaser of the fuel. This legislation would make motor fuel delivered to any marina in the state solely for use in watercraft exempt from motor fuel tax, which would allow consumers to purchase fuel for watercraft at a marina without the fuel tax.

DOR officials assume the exemption would reduce the number of refunds processed by the Excise Tax Section but noted if motor fuel for watercraft is purchased at other locations, consumers would still need to file a refund claim for the motor fuel tax they paid.

DOR officials did not provide an estimate of cost for the potential reduction in refund claims filed, and **Oversight** assumes this would not result in a significant reduction of the DOR workload.

ASSUMPTION (continued)

Fiscal impact

DOR officials stated that currently, distributors which deliver gasoline to a marina located in a county with a lake that has 100 miles or more of shoreline, file monthly reports reflecting those deliveries. Each year, the Department compares the reported number of gallons delivered to the number of gallons claimed by consumers for marine use in each qualifying county. The fuel tax on unclaimed gallons is then refunded to the county.

DOR officials assume if distributors are allowed to claim a refund on the gallons they deliver to marinas this would reduce the amount of unclaimed gallons. The Department assumes counties would receive reduced disbursements of fuel tax on unclaimed gallons. Currently, the Department deducts sales tax from refunds issued for motor fuel tax. In fiscal year 2014, the Department refunded \$879,606 in marine refunds. This amount includes the refunds to qualifying counties which were not claimed by consumers.

**Oversight** notes that under current provisions, the Department of Revenue refunds motor fuel tax paid on fuel for watercraft but collects sales tax on that fuel. This proposal would provide an exemption from motor fuel tax and sales and use tax for motor fuel delivered to a marina. Oversight assumes this exemption would reduce the amount of motor fuel tax collected on motor fuel sold to consumers and used in watercraft. This would reduce the number and amount of refund claims filed for motor fuel tax by marinas and consumers as well as the amount of unclaimed motor fuel tax, and would reduce the sales tax collected on motor fuel tax refund claims as well as the unclaimed motor fuel tax distribution.

**Oversight** requested information from DOR regarding actual amounts distributed from refunds and unclaimed fuel tax, and DOR officials provided those amounts; \$512,539 in unclaimed motor fuel tax was distributed to counties and \$367,067 was refunded to consumers. Oversight will include  $(\$512,539 \times 10/12) = \$427,116$  in unclaimed motor fuel tax distributions to local governments for ten months of FY 2016 and \$512,539 for FY 2017 and FY 2018.

ASSUMPTION (continued)

**Oversight** has calculated the sales tax on \$367,067 as shown in the following table.

		Revenue Reduction	
Fund or entity	Sales Tax Rate	Ten months	Full year
General Revenue	3.000%	\$9,177	\$11,012
Conservation Commission	0.125%	\$383	\$459
Parks, and Soil and Water	0.100%	\$306	\$367
School District Trust	1.000%	\$3,059	\$3,671
Total state	4.225%	\$12,925	\$15,509
Local governments *	3.880%	\$11,868	\$14,242
* The 3.88% local sales tax rate is an average calculated by Oversight based on collections reported by the Department of Revenue.			

**Oversight** also notes sales tax revenues in the School District Trust Fund are distributed to local school districts along with other revenues in the fund but will not include those transfers in this fiscal note.

**Oversight** assumes the State Road Fund would have no impact since the proposal would change the disposition of motor fuel tax that is not currently used for road purposes.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be greater than our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction - DOR</u>			
Motor Fuel and Sales Tax Exemptions Sections 142.815 and 144.030	<u>(\$9,177)</u>	<u>(\$11,012)</u>	<u>(\$11,012)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$9,177)</u></b>	<b><u>(\$11,012)</u></b>	<b><u>(\$11,012)</u></b>

FISCAL IMPACT - State Government  
 (Continued)

FY 2016  
 (10 Mo.)

FY 2017

FY 2018

**CONSERVATION COMMISSION  
 FUND**

Revenue reduction - DOR

Motor Fuel and Sales Tax Exemptions  
 Sections 142.815 and 144.030

(\$383)

(\$459)

(\$459)

**ESTIMATED NET EFFECT ON  
 CONSERVATION COMMISSION  
 FUND**

**(\$383)**

**(\$459)**

**(\$459)**

**PARKS, AND SOIL AND WATER  
 FUND**

Revenue reduction - DOR

Motor Fuel and Sales Tax Exemptions  
 Sections 142.815 and 144.030

(\$306)

(\$367)

(\$367)

**ESTIMATED NET EFFECT ON  
 PARKS, AND SOIL AND WATER  
 FUND**

**(\$306)**

**(\$367)**

**(\$367)**

**SCHOOL DISTRICT TRUST FUND**

Revenue reduction - DOR

Motor Fuel and Sales Tax Exemptions  
 Sections 142.815 and 144.030

(\$3,059)

(\$3,671)

(\$3,671)

**ESTIMATED NET EFFECT ON  
 SCHOOL DISTRICT TRUST FUND**

**(\$3,059)**

**(\$3,671)**

**(\$3,671)**



<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction</u>			
Unclaimed gallonage distribution			
Section 142.815 RSMO -	(\$427,116)	(\$512,539)	(\$512,539)
<u>Revenue reduction - Sales tax</u>			
Motor Fuel and Sales Tax Exemptions			
Sections 142.815 and 144.030	<u>(\$11,868)</u>	<u>(\$14,242)</u>	<u>(\$14,242)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(\$438,984)</u></b>	<b><u>(\$526,781)</u></b>	<b><u>(\$526,781)</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

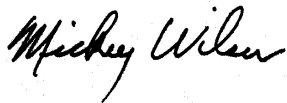
FISCAL DESCRIPTION

The proposed legislation would create an exemption from motor fuel tax and sales tax for motor fuel delivered to marinas and used in watercraft in this state.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Conservation  
Department of Natural Resources  
Department of Revenue



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